

### **IC 5-10.4-3**

#### **Chapter 3. Board**

### **IC 5-10.4-3-1**

#### **Members**

Sec. 1. (a) The board consists of six (6) trustees.

(b) Five (5) trustees shall be appointed by the governor. At least two (2) of the trustees appointed by the governor must be members of the fund. The governor shall make these appointments after June 30 and before July 16 of each year.

(c) The director of the budget agency or the director's designee is an ex officio voting member of the board. An individual appointed under this subsection to serve as the director of the budget agency's designee serves as a permanent designee until replaced by the director of the budget agency.

*As added by P.L.2-2006, SEC.28.*

### **IC 5-10.4-3-2**

#### **Term of office**

Sec. 2. A trustee shall serve a term of four (4) years, beginning on August 1 following appointment. Whenever a trustee is appointed to fill a vacancy caused by death or resignation, that trustee shall serve the unexpired term of the trustee's predecessor. A trustee shall serve until the trustee's successor is appointed and qualified.

*As added by P.L.2-2006, SEC.28.*

### **IC 5-10.4-3-3**

#### **Officers**

Sec. 3. On or before the September monthly meeting, the board annually shall elect a president, vice president, and secretary from its members to serve as officers of the board. An officer shall serve a term of one (1) year or until the officer's successor is elected and qualified.

*As added by P.L.2-2006, SEC.28.*

### **IC 5-10.4-3-4**

#### **Compensation; reimbursement of expenses**

Sec. 4. (a) On the board's order:

(1) the trustees who are not state officers or employees shall receive the same per diem, mileage, and travel allowances paid to members of the general assembly serving on interim study committees established by the legislative council; and

(2) the trustees who are state officers or employees are entitled to reimbursement for necessary expenses actually incurred through service on the board.

These costs shall be paid from resources at the disposal of the fund.

(b) Special meetings may be conducted on the call of the president or on the written call for a special meeting signed by three (3) trustees.

(c) A majority of the board constitutes a quorum at any meeting

for transacting business.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-5**

##### **Director**

Sec. 5. (a) The governor shall appoint a director from the members. Subject only to the governor's approval, the board shall fix the salary of the director.

(b) The director:

- (1) shall maintain a record of the board's proceedings;
- (2) is responsible for the safekeeping of the books and records of the fund; and
- (3) shall give bond as specified by the board.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-6**

##### **Trustee bonds; duties of board**

Sec. 6. (a) A trustee shall give bond as specified periodically by the state board of finance.

(b) The board shall do all the following:

- (1) Act on an application for benefits.
- (2) Provide the necessary forms for administering the fund.
- (3) Establish records and accounts, which:
  - (A) provide the necessary information for an actuary's examination; and
  - (B) are sanctioned by the state board of accounts.
- (4) Maintain individual records for each member containing the member's:
  - (A) name;
  - (B) date of birth;
  - (C) age at beginning service;
  - (D) service record;
  - (E) address;
  - (F) contributions to the fund;
  - (G) amounts withdrawn; and
  - (H) benefits paid;

and other items considered necessary.

(5) Employ or contract with employees, auditors, technical experts, legal counsel, and other service providers as the board considers necessary to transact the business of the fund without the approval of any state officer, and fix the compensation of those persons.

(6) Make rules as required to administer the fund.

(7) Publish a summary of the fund's condition.

(8) Provide for a report for each member, at least annually before June 1, of the value of the amount credited to the member in the annuity savings account in each investment program under IC 5-10.2-2.

(9) Provide for the installation in the general office of a complete system of:

- (A) books;
- (B) accounts, including reserve accounts; and
- (C) records;

to give effect to all the requirements of this article and to ensure the proper operation of the fund.

(10) Appoint an actuary.

(11) With the advice of the actuary, adopt actuarial tables and compile data needed for actuarial studies necessary for the fund's operation.

(12) Adopt a budget on a calendar year or fiscal year basis that is sufficient, as determined by the board, to perform the board's duties and, as appropriate and reasonable, draw upon fund assets to fund the budget.

(13) Expend money, including income from the fund's investments, for effectuating the fund's purposes.

(14) Establish personnel programs and policies for the employees of the board.

(15) Submit a report of the board's activities to the governor, the pension management oversight commission, and the budget committee before November 1 of each year. The report under this subdivision shall set forth a complete operating and financial statement covering the board's operations during the most recent fiscal year, including information on the following:

- (A) Investment performance.
- (B) Investment and administrative costs as a percentage of assets under management.
- (C) Investment asset allocation strategy.
- (D) Member services.
- (E) Member communications.

(16) Establish a code of ethics or decide to be under the jurisdiction and rules adopted by the state ethics commission.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-7**

##### **Financial information; annualization of data**

Sec. 7. The board shall annually analyze the fund's:

- (1) income and expenditures;
- (2) actuarial condition;
- (3) reserve accounts;
- (4) investments; and
- (5) such other data as necessary to interpret the fund's condition and the board's administration of the fund;

for internal control purposes.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-8**

##### **Powers**

Sec. 8. (a) The board may do the following:

- (1) Adopt and enforce rules regarding the fund's administration and the control and investment of the fund.

- (2) Give bond for an employee for the fund's protection.
  - (3) Receive the state's share of the cost of the pension contribution from the federal government for a member on leave of absence in order to work in a federally supported educational project.
  - (4) Sue and be sued as the board of trustees of the Indiana state teachers' retirement fund.
  - (5) Summon and examine witnesses when adjusting claims.
  - (6) When adjusting disability claims, require medical examinations by doctors approved or appointed by the board. Not more than two (2) examinations may be conducted in one (1) year.
  - (7) Conduct investigations to help determine the merit of a claim.
  - (8) Meet an emergency that may arise in the administration of the board's trust.
  - (9) Determine other matters regarding the board's trust that are not specified.
  - (10) Enter into agreements with an insurance company to provide life, hospitalization, surgical, medical, dental, vision, long term care, or supplemental Medicare insurance, using individual or group insurance policies for retired teachers, and deduct premium payments for the policies from the teachers' retirement benefits and remit the payments to the insurance companies when deduction is authorized by the respective retired teacher.
  - (11) Enter into agreements with one (1) or more insurance companies to provide annuities for retired teachers and upon a member's authorization transfer the amount credited to the member in the annuity savings account to the insurance companies.
  - (12) Exercise all powers necessary, convenient, or appropriate to carry out and effectuate the board's public and corporate purposes and to conduct the board's business.
  - (13) Establish and amend rules:
    - (A) for the administration and regulation of the fund and the board's affairs; and
    - (B) to effectuate the powers and purposes of the board; without adopting a rule under IC 4-22-2.
  - (b) An agreement under subsection (a)(10) may be for a duration of three (3) years.
  - (c) This subsection does not apply to:
    - (1) an agreement under subsection (a)(10); or
    - (2) investments of the board.
- A contract that the board enters into under section 10(b) of this chapter or any other provision may be for a term of not more than five (5) years, with the ability to renew.
- (d) The board's powers and the fund's powers specified in this chapter shall be interpreted broadly to effectuate the purposes of this chapter and may not be construed as a limitation of powers.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-9**

##### **Management of property**

Sec. 9. (a) The board is responsible for the fund's property. The board may take and hold any property given outright or on condition to the fund and shall perform the conditions accepted. Unless restricted by a condition, the board may transfer the property when necessary for the fund's benefit.

(b) The board shall receipt:

- (1) property belonging to or coming into the fund and shall judiciously invest the property; and
- (2) money coming into the fund and, except as specified in sections 13 and 14 of this chapter, shall deposit the money with the state treasurer in the manner required of other state funds by IC 5-13.

(c) The board shall make quarterly reports to the auditor of state as required by law for the transference of the fund to the auditor of state's books.

(d) The board shall direct the fund's disbursements on itemized vouchers to the auditor of state approved by the president of the board and the director or, in the absence or incapacity of both officers, by another trustee directed by order of the board. The auditor of state then shall issue a warrant on the treasurer of state.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-10**

##### **Investments**

Sec. 10. (a) The board shall invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The board also shall diversify investments in accordance with prudent investment standards, subject to the limitations and restrictions set forth in IC 5-10.2-2-18.

(b) The board may:

- (1) make or have investigations made concerning investments; and
- (2) contract for and employ investment counsel to advise and assist in the purchase and sale of securities.

(c) The board is not subject to IC 4-13, IC 4-13.6, or IC 5-16 when managing real property as an investment. A management agreement entered into by the board shall ensure that the management agent acts in a prudent manner regarding the purchase of goods and services. Contracts for the management of investment property shall be submitted to the governor, the attorney general, and the budget agency for approval. A contract for the management of real property as an investment:

- (1) may not exceed a four (4) year term and must be based upon guidelines established by the board;

(2) may provide that the property manager may collect rent and make disbursements for routine operating expenses such as utilities, cleaning, maintenance, and minor tenant finish needs;  
(3) shall establish, consistent with the board's duty under IC 30-4-3-3(c), guidelines for the prudent management of expenditures related to routine operation and capital improvements; and

(4) may provide specific guidelines for the board to:

(A) purchase new properties;

(B) contract for the construction or repair of properties; and

(C) lease or sell properties;

without individual transactions requiring the approval of the governor, the attorney general, the Indiana department of administration, and the budget agency. However, each individual contract involving the purchase or sale of real property is subject to review and approval by the attorney general at the specific request of the attorney general.

(d) Whenever the board takes bids in managing or selling real property, the board shall require a bid submitted by a trust (as defined in IC 30-4-1-1(a)) to identify all the following:

(1) Each beneficiary of the trust.

(2) Each settlor empowered to revoke or modify the trust.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-11**

##### **Compliance with federal law**

Sec. 11. The board's transactions under section 10 of this chapter are subject to IC 5-10.2-2-1.5.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-12**

##### **Form of securities**

Sec. 12. Each security may be held in bearer form or registered in the name of:

(1) the fund;

(2) a nominee created by the board; or

(3) a nominee of a custodian bank or safekeeping bank, approved by the board.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-13**

##### **Custodial agreements**

Sec. 13. (a) The board may enter into a custodial agreement on terms the board considers in the best interest of the fund with a bank or trust company that is domiciled in the United States and approved by the Indiana department of financial institutions under IC 28-1-2-39 to:

(1) act in a fiduciary capacity; and

(2) manage custodial accounts;

in Indiana.

(b) The agreement described in subsection (a) may authorize the custodian to:

- (1) hold the fund's securities and other investments in the name of the fund or a nominee, or in bearer form;
- (2) collect the income and other receipts from the securities and other investments and deposit them subject to the instructions of the board or the board's representative;
- (3) reinvest the receipts on the direction of the board or the board's representative;
- (4) maintain accounting records and prepare reports as may be required for use by the fund and the state board of accounts; and
- (5) perform other services for the board that are appropriate and customary for the custodian.

(c) The custodian is responsible for all securities held in the name of its nominee for the fund.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-14**

##### **Management of custodial account**

Sec. 14. All income and other receipts from securities may be:

- (1) collected by the custodian bank or safekeeping bank approved for that purpose by the board and deposited in the custodial account or a checking account of the board;
- (2) reinvested from the custodial account or checking account when the board determines that the receipts may be safely invested; or
- (3) withdrawn by the board for the immediate needs of the fund from the checking account or custodial account and then deposited with the treasurer of state, as required for other money coming into the fund.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-15**

##### **Conflict of interest prohibited**

Sec. 15. (a) Except as otherwise provided, a trustee or employee of the board may not have any direct interest in the income of an investment made by the board or may not receive any pay or emolument for services connected with any investment made by the board.

(b) The board may purchase a security or financial interest issued or owned by a:

- (1) custodian bank or trust company; or
- (2) subsidiary, parent corporation, or holding company of a custodian bank or trust company.

(c) A trustee or employee may not become an obligor for money loaned by or borrowed from the fund.

*As added by P.L.2-2006, SEC.28.*

#### **IC 5-10.4-3-16**

##### **Criminal penalties**

Sec. 16. A person who recklessly violates:

(1) IC 21-6.1-3-9 (repealed), IC 21-6.1-3-11 (repealed),  
IC 21-6.1-3-15 (repealed), or IC 21-6.1-3-18 (repealed), before  
July 1, 2006; or

(2) section 10, 12, 14, or 15 of this chapter, after June 30, 2006;  
commits a Class A misdemeanor.

*As added by P.L.2-2006, SEC.28.*